



Directions For Attracting Investments Through Commercial Banks

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Annotation. The article explores some theoretical issues of formation and foreign experience in the development of banking innovations, customer service by commercial banks in the context of the introduction of the digital economy. Also, the current state and further development of remote banking services in commercial banks in the context of the introduction of digitalization of banking services are considered. In addition, the authors outlined ideas, scientific proposals and recommendations for the development of banking innovations in the Republic of Uzbekistan.

Keywords: Investment, investment attraction mechanism, commercial banks, foreign investment, capital, partnership, deposit, credit.

1. Introduction.

Banking innovations are a powerful tool for the economic development of the country. Commercial banks that use new technologies in their work attract more customers and make more profits, unlike others that risk losing their customer base and risk their profits. Therefore, each bank builds its relationship with the client, based on the principles of partnership.

In today's world, leading banks strive to endlessly improve the quality of their banking services while reducing the cost of their maintenance. The range of banking and financial services is expanding every year, new types of products and services are constantly appearing on the market. This factor serves to intensify competition between banks for each client. Therefore, each bank builds its relationship with the client, based on the principles of partnership [1].

The efficiency and continuity of commercial banks' activity depends first of all on how adequately they are provided with resources. The financial resources of commercial banks are attracted on the basis of certain conditions and are formed from the bank's own funds and are directed to active operations in order to generate the bank's income. Raised funds cover the need for cash resources to carry out active operations, primarily credit operations. Their role is very large and makes up more than 70% of the bank's resources. By using the temporary free funds of legal entities and individuals, commercial banks meet the needs of the national economy and the population for additional working capital, and help turn money into capital. Banks have limited opportunities to attract funds, and in all countries this process is regulated by the Central Bank. The borrowed funds make up the main part of the credit resources of commercial banks [2].

2. Literature review.

It examines the role of banking capital in the conduct of monetary policy in India in the period after the global financial crisis, based on the theories of foreign scholars. Empirical results show that banks with a high ratio of capital to risk-weighted assets (CRAR) attract funds at a lower cost. In addition, banks with high CRARs transmit monetary policy impulses smoothly, while stressed assets



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in the banking sector hinder transmission. Recapitalization to increase CRAR can improve transmission; however, CRAR may not help for banks above a certain threshold level due to reduced sensitivity of loan growth to the monetary policy rate. Therefore, it is stated that the monetary policy can affect the credit supply depending on the capital situation of the banks (Muduli S., Behera H., 2023) [3].

Most importantly, bank capital is an important evidence that policy uncertainty can improve the impact of bank economic performance and performance. In general, bank capital adequacy can reduce the negative impact of policy uncertainty on the banking industry through stabilization measures (Mendy L. L., Yang S. Y., Shi W. Z., 2023) [4].

Economist Frank Hunt writes, "The capitalization rate can be determined by dividing annual net operating income by the cost of a piece of property. This formula is important for determining the return on investment that an investor can hope to realize. As the level of capitalization increases, the decrease in the appreciation of the asset. Marking has been argued to be inversely related to the price/earnings multiple for the same asset (Frank Hunt, 2021) [5].

According to local scientists O.I.Lavrushin, U.O.Azizov, T.M.Karaliyev, "The resources of credit organizations are the sum of their own and borrowed resources at the bank's disposal, which are used in the implementation of asset operations. Bank resources are reflected in the passive part of the balance sheet of credit organizations" (Lavrushin O.I., Azizov U.O., Karaliyev T.M., 2019). In our opinion, it is appropriate to provide a broader explanation of the composition of funds equaled to own funds by our above scholars in their views on the bank's resource base [6].

According to one of our local scientists, Professor Sh. Z. Abdullaeva, "the resource base of commercial banks determines the level of their credit potential. The resource base created by the bank can be directed to provide various loans and finance investments and other asset operations" (Abdullayeva Sh.Z., 2019) [7].

Professor A.A. In his research, Omonov stated that "resources of commercial banks are the financial value formed due to the attraction of free funds in the economy and the formation of private funds (capital) under certain conditions" (Omonov A.A., 2008). Emphasizes [8].

U.D. Artykov "bank resources are a set of reserves and opportunities that can be used for the implementation of banking activities within the framework of the bank's policy, consisting of the bank's own funds and borrowed funds, which are the basis for the bank's income" (Ortikov U.D., 2008) considers it as Of course, while supporting the definition given by the authors, we think that special attention should be paid to the bank's resource base [9].

At the same time, a number of foreign economists, including K. Bainke, Y. Vasilishen, A. Gryaznova, Y. Dolan, V. Kolesnikov, J. Matuk, G. Panova, have discussed the issues of attracting financial resources and increasing the level of capitalization of commercial banks. It was reflected in the scientific research of D. Sinke. Special aspects of this issue are reflected in the scientific works of Uzbek economists Y. Abdullaev, A. Kamolov, I. Toymukhamedov, O. Rashidov, O. Olimjonov, A. Kadyrov [10].

3. Analysis and discussion of results.

Deposits make up the main part of the attracted funds of banks. Deposit operations are called deposit operations in banks for the purpose of achieving goals. Deposits are beneficial not only to the depositor, but also to the bank. Through many deposits, the loan capital of the bank is formed,



and then the bank lends to various economic sectors on favorable terms. The difference between deposit and loan interest is the bank's margin (premium) for attracting free funds and deploying loan capital [11].

Bank liabilities are a source of organization of bank resources, and its size depends on several factors. These are:

- ❖ activities of banks carried out at the expense of their own funds;
- ❖ the policy of the Central Bank in the field of monetary and credit policy management;
- ❖ attracted funds of the bank and their composition;
- ❖ the amount of mandatory reserve transferred by the commercial bank to the Central Bank;
- ❖ other passives.

Deposit accounts can be different, and their classification is based on the source of deposits, their target orientation, level of profitability and other similar criteria. In most cases, resources are classified in terms of their owners. In particular, deposits are made by legal entities (enterprises, organizations) and individuals [12].

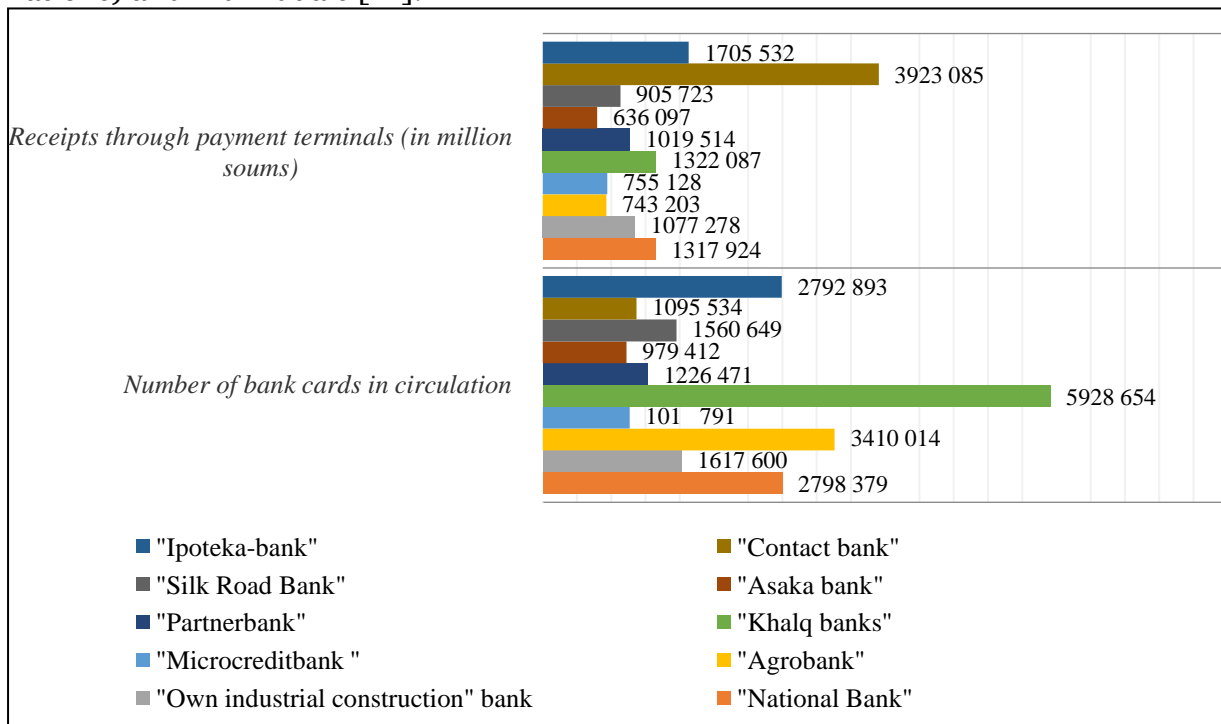


Figure 1. Information on circulating bank plastic cards, terminals, terminals and infokiosks of the 10 largest banks operating in the Republic of Uzbekistan as of March 1, 2022 [13]

As we can see, the range of services provided by banks has significantly improved, in terms of the volume of plastic cards, the Khalq Bank has issued 5 928 654 plastic cards, and in terms of



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payment by terminals, Contact Bank is at the top. This shows that the banks are currently developing rapidly.

We can also see a significant increase in the number of terminals installed and terminal services compared to the last three years. This will create favorable conditions for the population and entrepreneurs using banking and financial services, as well as facilitate faster cash flow (Table 1).

In turn, each of these groups is classified according to its different characteristics. Funds attracted by the bank are placed in various assets based on the existing law and regulatory acts, which determine the need to maintain a high level of liquidity and obtain a certain high income [14].

Each commercial bank independently determines the level of deposit interest rates based on the Central Bank of the Republic of Uzbekistan account rate, the state of the money market and its own deposit policy. The amount of income for different forms of deposit schemes depends on the term of the deposit, the amount, the nature of the account, the size and nature of the services and, finally, on the client's compliance with the terms of the deposit agreement [15].

The main part (40-45 percent) of the deposit funds of commercial banks operating in our country belongs to demand deposits. In 2019, demand deposits made up 42.7 percent of total deposits (29 trillion soums). 5.3 percent from 1 day to 30 days, 12.5 percent from 30 days to 180 days, 12 percent from 30 days to 180 days, and 27.4 percent from 1 year to 27.4 percent. In 2020, compared to 2019, the volume of deposits will be 30 percent or 21 trillion. increased to soums. In 2020, the total volume of deposits is 91 trillion. amounted to soums and 38.7 percent (35.2 trillion soums) consisted of demand deposits. Deposits from 1 day to 30 days accounted for 3.4 percent, deposits from 30 days to 180 days accounted for 12.8 percent, deposits from 30 days to 180 days for 12 percent, and deposits over 1 year accounted for 32.4 percent. In the period from 2021 to 2020, the composition of deposits increased by 26% to 114.7 trillion. reached soums. In 2021, demand deposits accounted for 42.8 percent (49.1 trillion soums) and deposits over 1 year accounted for 27.5 percent (31.5 trillion soums). Deposits from 1 to 30 days were 5.3%, 12.4% from 30 to 180 days, and 12% from 30 to 180 days [16].

Table 1. Balance of deposits of commercial banks as of January 1, 2019-2023 (billion soums) [17]

The date	Total	By terms				
		Until requested	From 1 day up to 30 days	from 30 days up to 180 days	from 180 days up to 365 days	From 1 year high
01.01.2019	70 001	29 912	3 711	8 785	8 422	19 171
01.01.2020	91 009	35 189	3 133	11 654	11 523	29 511
01.01.2021	114 747	49 153	6 081	14 207	13 749	31 556
01.01.2022	156 190	66 129	5 291	18 780	20 826	45 164
01.01.2023	216 738	92 553	4 463	25 587	26 855	67 280



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156.2 trillion by commercial banks in 2022. 42.3 percent (66.1 trillion soums) of deposits were attracted, and 28.9 percent (45.2 trillion soums) were deposits for more than 1 year is coming. As of January 1, 2023, there has been more growth than in previous years. In 2023, the net growth will be 38.7 percent or 60.5 trillion. amounted to soum. The fact that the process of forming resource bases of commercial banks operating in our country is in a negative state is explained by the reasons given in Figure 2 below [18].

Commercial banks need stable sources of resources as short-term lending intermediaries of the financial market. As a result of replenishing the main part of these sources by attracting term and savings deposits, it allows to ensure liquidity.

In international banking practice, the share of demand deposits of banks is relatively low and the share of time deposits is high. This situation is also observed in our country, and over the years, demand deposits are growing faster than other types of deposits [19].

Table 2. Information on current terminals and installed terminals of 10 largest banksoperating in the Republic of Uzbekistan as of March 1, 2022 [20]

No	Commercial banks	Integrated payment terminals	Number of terminalsand infokiosks installed
1.	“National Bank”	40 346	655
2.	“Own industrial construction” bank	33 472	470
3.	“Agrobank”	43 392	1 971
4.	“Microcreditbank”	23 402	252
5.	“Khalq banks”	51 462	1 373
6.	“Partnerbank”	31 742	785
7.	“Asaka bank”	15 382	257
8.	“Silk Road Bank”	24 047	537
9.	“Contact bank”	12 897	275
10.	“Ipoteka-bank”	42 094	634

In 2019, the volume of deposits attracted by commercial banks increased by 17.6% compared to 2020 and reached 35.2 trillion soums. In 2021, this indicator increased by 39.7% and amounted to 49.1 trillion soums. In 2022, compared to 2021, it increased by 35.7 percent or net 17 trillion soms. By the beginning of 2023, the largest change of 40 percent was observed, and the amount of net growth was 26.4 trillion soums [21].

The high share of unclaimed deposits in the resource base of commercial banks indicates the weakness of the resource base and the presence of conflicting situations in the effective management of resources. In particular, the shortage of funds in representative accounts, insufficient satisfaction of customers' demand for cash, and existing problems in meeting the need for resources necessary for financing effective projects are among these [22].



For example, in 2021, the share of funds held until demand in the composition of deposit funds was 21.2% in the commercial banks of the USA, 29.5% in the commercial banks of Kazakhstan, and 14.4% in the German banking system. In the practice of our country, it was 42.7% in 2019, 38.7% in 2020, 42.8% in 2021, 42.3% in 2022, and 42.7% in 2023. As can be seen from the above data, demand deposits in commercial banks of economically developing countries are 2-3 times lower than in our country. This situation means that commercial banks of our country rely on demand deposits as one of the main resource bases [23].

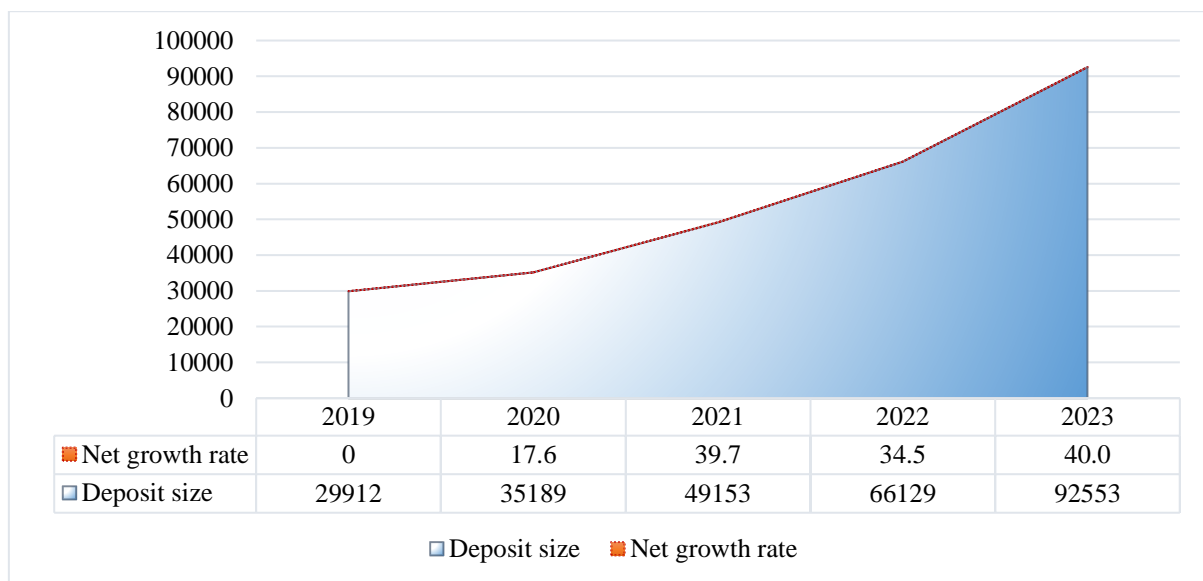


Figure 3. Deposits attracted in commercial banks of our country and their growth rate (billion soums) [24]

According to the experience of foreign countries, term deposits are considered as a stable financial source in the resources of commercial banks. Although deposits in the resources of commercial banks of our republic have a tendency to grow, the share of time and savings deposits in the composition of deposits is much lower than before demand. Therefore, one of the important tasks facing commercial banks is to increase the source of funds that is stable in term of resources [25].

4. Conclusions and suggestions.

The problem of organizing the bank's resources is the first priority for the smooth operation of the bank. Bank resources are formed through passive operations carried out by banks and are kept in the passive part of the bank's balance sheet.

As a result of the above analysis and studies, we were able to develop a number of suggestions:

1. Innovation is currently not just one of the phenomena that determine economic growth, development and structural changes. Innovations have become a characteristic feature and essence of modern development in all spheres of the economy, including banking.



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2. For large-scale innovations, a fundamentally new level of interaction between big business, the state, science and technology entrepreneurs is needed. In fact, large companies and basic research are the sources of most global innovation.

3. The transition to digital technologies is rapidly developing not only for transactional operations, but also for the implementation of banking products, as well as their further support. Improving banking innovations in the banking system directly depends on the development of new banking products. Under the influence of many factors, the evolution of banking products and services is taking place.

4. Developed countries have many years of experience in introducing, developing and improving the system of cashless payments based on innovation and digital technology. In addition, an analysis of the best practices of developed countries shows that the system of cashless payments has been improved under the influence of innovative ideas and technologies.

5. In today's world, leading banks strive to endlessly improve the quality of their banking services while reducing the cost of their maintenance. The range of banking and financial services is expanding every year, new types of products and services are constantly appearing on the market. This factor serves to intensify competition between banks for each client. Therefore, each bank builds its relationship with the client, based on the principles of partnership.

6. In the context of the COVID-19 pandemic of economic instability, it is very important for banks to find a way to retain existing customers and attract new ones. In the conditions of fierce competition, the role of the process of introducing innovations to improve cashless payments is increasing.

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